

# Use Tax

This publication is for general information only about use tax. For complete details, refer to the Arizona Revised Statutes and the Arizona Administrative Code. In case of inconsistency or omission in this publication, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail.

## Who Pays Use Tax?

1. Any person who uses, stores or consumes any tangible personal property upon which tax has not been collected by a retailer shall pay use tax.
2. An out-of-state retailer or utility business making sales of tangible personal property to Arizona purchasers must register with the department for the collection of the use tax.

Casual sales between individuals are not subject to the use tax. Property purchased by a nonresident individual whose first actual use or consumption of the property occurred outside the state is not subject to the use tax if the property is not used in conducting a business.

An Arizona purchaser is liable for use tax on goods purchased from an out-of-state vendor that did not collect the use tax. Arizona purchasers are also liable for use tax if they purchase goods using an exemption or resale certificate, and the goods are subsequently used, stored or consumed in Arizona contrary to the purpose stated on the certificate.

The use tax also applies to purchases on which another state's sales or other excise tax was imposed if the rate of that tax is less than the Arizona use tax rate.

If you purchase a vehicle from an out-of-state dealer or manufacturer, the Department of Transportation will, at the time of vehicle registration, require proof that the tax was paid in the state of purchase and is equal to or greater than the Arizona use tax rate. If the tax was not paid in the state of purchase or was less than the Arizona use tax, the Department of Transportation will require that the use tax be paid at the time you register the vehicle.

## County Use Tax

Some Arizona counties may also impose a county general use tax on each retail electricity customer using or consuming electricity in the county purchased from an electricity supplier.

## Distinction Between the Transaction Privilege (Sales) Tax and Use Tax

The transaction privilege (sales) tax is imposed upon income or proceeds derived from engaging in a taxable business within the State. The use tax is imposed upon the purchaser of tangible personal property which is used, stored, or consumed in Arizona when the sale was not subject to the transaction privilege tax. Out-of-state retailers or utility businesses that sell to Arizona customers are required to collect the Arizona use tax and remit it to the department.

## Use Tax Rate

Some cities also impose use tax. Please refer to the tax rate tables for the current tax rate of cities in our collection program. For cities not in our program you will need to check with each individual city. Most of the larger cities license and collect the use tax independently.

## Do I Need a License?

Arizona purchasers making purchases from out-of-state retailers who are not registered to collect the use tax and out-of-state vendors making recurring sales into Arizona shall register with the department for use tax purposes. Out-of-state vendors are usually registered to collected Arizona use tax on sales into Arizona. There is no charge for a Use Tax License. If you currently have a Transaction Privilege Tax License, you do not need a separate license for use tax. You can report any use tax due using your Transaction Privilege or Use Tax License number.

## How Do I Pay Use Tax?

The use tax is reported on the *Transaction Privilege, Use and Severance Tax Return*, Form TPT-1.

The use tax applicable to purchases from unregistered out-of-state vendors and use tax collections by registered out-of-state vendors are both reported on Form TPT-1 under **Code 029**.

The use tax applicable to purchases of tangible personal property for resale which is instead used or consumed by the purchaser is reported on Form TPT-1 under **Code 030**.

The use tax applicable to purchases from an out-of-state utility business is reported on Form TPT-1 under **Code 026**.

If you make a single purchase requiring a use tax payment, contact the department at (602) 542-4565 for instructions.

## Exemptions

The use tax does not apply to the storage, use or consumption in this state of the following:

1. Tangible personal property purchased for resale in the regular course of business and not for consumption or use by the purchaser.
2. Tangible personal property on which the Arizona transaction privilege (sales) tax has already been paid.
3. Items purchased from a person not engaged in the business of selling tangible personal property (casual sale).
4. Tangible personal property, the sale or use of which has already been subject to an equal to or greater excise tax under the laws of some other state of the United States.
5. Tangible personal property, the storage, use or consumption of which the constitution or laws of the United States prohibit this state from taxing.
6. Tangible personal property which directly enters into and becomes an ingredient or component of any manufactured, fabricated or processed article, substance or commodity for sale in the

regular course of business.

7. Motor vehicle fuel and use fuel that is taxed by the Arizona Department of Transportation, or use fuel which is sold to or used by a person holding a valid single trip use fuel tax permit. Purchases of aviation gasoline are exempt from the use tax. Some purchases of jet fuel are subject to jet fuel use tax. Purchases of diesel fuel for non-highway use are subject to use tax. Purchases of diesel fuel used to propel vehicles on public highways are exempt from use tax if “use fuel” tax is paid on this diesel fuel to the Department of Transportation.
8. Tangible personal property purchased by a person holding a valid Transaction Privilege Tax License for engaging in the contracting business if the tangible property sold is incorporated or fabricated into any structure, project, development or improvement in fulfillment of a contract.
9. Tangible personal property brought into the state by an individual who was a nonresident at the time the property was purchased for his own storage, use or consumption if the first actual use or consumption of the property was outside the state, unless such property is used in conducting a business in this state.
10. Livestock, poultry, seed, feed and supplies for use or consumption in the businesses of farming, ranching and feeding livestock or poultry, not including fertilizers, herbicides and insecticides.
11. Tangible personal property not exceeding \$200 in any one month purchased by an individual at retail outside the continental limits of the United States for personal use and enjoyment.
12. All personal property purchased by a hospital organized and operated exclusively for charitable purposes if no part of the net earnings benefit any private shareholder or individual, or by a hospital operated by the state or any political subdivision of the state.

## USE TAX

# TRANSACTION PRIVILEGE TAX

13. Subject to certain qualifications, items purchased by licensed nursing care institutions, licensed residential care institutions, kidney dialysis centers or qualified health organizations.
14. Medically prescribed drugs, hospital beds, wheelchairs, corrective shoes, crutches, and braces for the neck, arm, leg, and back; prosthetic appliances prescribed or recommended by certain medical professionals; prescription eyeglasses and contact lenses; insulin, insulin syringes, and glucose test strips; and hearing aids. ("Prosthetic appliance" means an artificial device necessary to support or take the place of a part of the body, or to increase the acuity of a sense organ.)
15. Food for home consumption.
16. Food sold by retailers to private or parochial schools for grade 12 or under, licensed or certified day care centers, facilities which care for persons who cannot care for themselves and are unaccompanied by their custodians or guardians for periods of less than twenty-four hours a day, and certain nonprofit organizations which provide food for no charge or nominal charge.
17. Food and drink provided without monetary charge by a bar or restaurant to its employees for their own consumption on the premises during the employees' hours of employment.
18. Purchases of certain specific items by persons engaged in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development, job printing, telecommunications, producing or transmitting electrical power, drilling for oil or gas, transporting for hire, transporting via pipelines, air transportation, or environmental technology.
19. Lottery Tickets.
20. Ground water measuring devices.
21. New machinery and equipment consisting of tractors, tractor-drawn implements, self-powered implements, machinery and equipment that are necessary for extracting milk, and drip irrigation lines used for commercial production of agricultural, horticultural, viticulture and floricultural crops in this state.
22. Printed and other media materials for use in publicly-funded libraries in Arizona.
23. Textbooks, sold by a bookstore, that are required by any state university or community college.
24. Magazines or other publications produced by this state to encourage tourist travel.
25. Items purchased with United States Department of Agriculture food stamps.
26. Food, drink, condiment and accessory tangible personal property to be prepared and served for consumption on the premises of a public school during school hours.
27. Purchases by a person engaged in business under the transient lodging classification if the property purchased is a personal hygiene product which is furnished without additional charge to and intended to be consumed by the transient during his occupancy.
28. Motor vehicles that are removed from inventory by a motor vehicle dealer and provided to charitable or educational institutions exempt from taxation under §501(c)(3) of the Internal Revenue Code, public education institutions, or state universities or affiliated organizations if no part of the organization's net earnings benefit any private shareholder or individual.
29. Tangible personal property sold by a nonprofit organization organized and operated exclusively for charitable purposes and recognized as such by the Internal Revenue Service.
30. Other exemptions as provided by ARS § 42-5159.

**For Additional Information, Call:**

Phoenix ..... (602) 255-2060  
Tucson ..... (520) 628-6421  
Arizona areas, Toll-free  
(800) 843-7196

**For Hearing Impaired TDD Only**

Phoenix .....(602) 542-4021  
Arizona areas, toll-free .....(800) 397-0256

**Or Write To:**

License and Registration  
Arizona Department of Revenue  
1600 W. Monroe  
Phoenix, AZ 85007

**For Related Tax Information:**

Internet Address .....www.revenue.state.az.us

Recorded Tax Information ... (602) 542-1991  
 Arizona areas, toll-free ..... (800) 845-8192  
 Forms Line ..... (602) 542-4260  
 Forms by Fax.....(602) 542-3756

## LEGAL SUPPORT/PUBLICATIONS

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This document is available in an alternative format upon request.

